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UNTIL RELEASED BY THE
HOUSE GOVERNMENT
REFORM COMMITTEE

STATEMENT OF
THE HONORABLE DIONEL AVILES
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FINANCIAL MANAGEMENT AND COMPTROLLER
BEFORE THE
HOUSE GOVERNMENT REFORM COMMITTEE
GOVERNMENT EFFICIENCY, FINANCIAL MANAGEMENT AND
INTERGOVERNMENTAL RELATIONS SUBCOMMITTEE
ON
NAVY TRAVEL CARD PROGRAM
OCTOBER 8, 2002

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Mr. Chairman and members of the Subcommittee, thank you for the opportunity to discuss the Department of the Navy Government Travel Charge Card Program. I am Dionel Aviles, Assistant Secretary of the Navy, Financial Management and Comptroller. In this capacity I am responsible for establishment of Department of the Navy policies and oversight for the Government Travel Charge Card Program.

The travel card program was intended to provide greater convenience and flexibility to the traveler and reduce the government's administrative costs. In implementation, it is not clear that the program has achieved those goals. To the extent that much of the Navy and Marine Corps administrative infrastructure that supported travel has been reallocated to the operational forces, the government's costs have been reduced. However, it may also be true that a significant portion of the administrative activity required to manage the program may have also migrated to the operational forces.

The current travel card program consists of both centrally and individually billed accounts and the Department of the Navy uses both types of accounts in its charge card program. Centrally billed accounts are used to purchase commercial transportation or for the travel expenses of a unit and payments on these accounts are made directly by the government to the bank. The Department of the Navy's centrally billed accounts are well within the delinquency metric established by the Department of Defense, therefore, I will confine my remarks to the individually billed accounts.

Individually billed accounts are issued by the card contractor in the name of an individual, who is solely responsible for timely payment of charges made on the account. Individual cardholders sign an agreement with the card contractor prior to issuance of a card agreeing to terms and conditions for its use. This agreement, as well as Department of Defense regulation, makes each cardholder personally responsible for payment, in full, of the amount indicated by a date specified on the monthly statement — usually one month after the close of the billing cycle. Most Department of the Navy cardholders adhere to this agreement by using the travel card properly and paying the amount they owe promptly. Regrettably, a small percentage of cardholders do not follow the rules, or in some cases, due to circumstances they may not be able to control, are unable to pay their balances in a timely fashion. To address this problem, the Department of the Navy has taken aggressive action to reduce the incidents of misuse and delinquency in the travel card program. Some examples of these efforts include:

Strengthened Controls: In April of this year, I established a delinquency goal for all Department of the Navy commands of no more than 4.0 percent of the total dollars outstanding being more than 60 days past the billing date. Commands exceeding this metric are required to implement additional remedial actions that include deactivating travel card accounts until 10 days prior to an individual's travel; conducting spot checks for inappropriate card use; and increasing spot checks if a pattern that might indicate misuse is discovered.

Notification: Earlier this year, I sent letters to each Navy and Marine Corps cardholder who was 60 or more days past the billing date urging that they take action to resolve their

outstanding balance and alerting them to the consequences of continued delinquency. A total of 7,277 letters were sent and included a point of contact in my office to discuss any issues or concerns they might have with their travel card accounts.

Command Attention: I hold personal meetings with the senior leadership of the major commands failing to meet the Department of the Navy delinquency metric to discuss the actions they are taking to improve performance. These meetings will continue on a quarterly basis for all commands that exceed the delinquency metric and have proved to be a useful exchange of ideas on improving performance.

Deactivation Upon Transfer: I have directed that all Department of the Navy commands include travel card managers in their personnel check in/check out procedures to ensure cards do not remain active when individuals depart an organization. This change is intended to discourage use of the card during permanent change of station moves that may take a longer period of time to receive reimbursement than temporary duty travel.

Blocking Inappropriate Use: I requested the Department of Defense Travel Card Program Manager obtain information from the card contractor as to how transactions are being processed on travel cards with merchants that have been blocked for use within the Department of Defense travel card program. The merchant category code numbering scheme and the blocking of certain merchant codes was intended to be a risk mitigation tool available to the Department to prevent misuse of the card. However, reported cases of transactions processed against blocked merchant codes imply that this system may need more attention.

Misclassification of Merchants: I also requested that the Department of Defense Travel Card Program Manager review and change potential erroneous merchant codes. Reviews of the Department of the Navy travel card program have raised concerns about transactions made with merchants that appear to have improperly classified merchant category codes. The misclassification of these merchants makes it difficult for the travel card managers responsible for reviewing cardholder transactions to identify inappropriate charges.

Debit Card Option: The Department of the Navy has approached the travel card contractor to explore options with a debit or pre-funded card. Currently, the Navy is working with the Department of the Treasury to prepare a pre-funded travel card pilot program, to determine if such a card might be a viable alternative to the current charge card.

Targeted Reminders: The Department of the Navy prepared and coordinated with Bank of America to distribute a travel card reference guide for Navy cardholders. The guide contains several “do’s” and don’ts” regarding cardholder responsibilities, appropriate uses, and contact information specific questions.

In March 2002, the Under Secretary of Defense (Comptroller) established a Charge Card Task Force, of which I was a member, to evaluate the Department’s purchase and travel card programs and to develop recommendations for improvements. The Task Force’s preliminary recommendations specific to the travel card program were released in June 2002. The Department

of the Navy supports the recommendations of the Task Force and we are working to implement the following:

- Development of a process to monitor transactions by exception. The Navy recently began an initiative to identify potential card misuse and abuse by using reports provided by the card contractor to monitor transactions. Accounts that are identified with potential inappropriate activity are immediately deactivated until travel card managers or the cardholders are contacted to confirm the transactions are valid. The criteria used for these reviews include any retail transaction over \$250 or any travel transaction, principally travel or lodging, over \$2,500. To further automate this process, the Navy has procured the same software used by the General Accounting Office to conduct such data-mining efforts. Staff has been scheduled to attend formal training on the use of this tool and we intend to commence its use in the near future.

- As directed by the Under Secretary of Defense (Comptroller), the Navy was the first Department of Defense component to have unused accounts reviewed and cancelled by the card contractor. This effort, which commenced on September 18, 2002, resulted in the cancellation of 65,300 Navy accounts. A similar review of Marine Corps accounts is underway by the contractor. These cancellations are in addition to the over 38,000 account closures that resulted from reviews carried out by Department of the Navy travel card program managers in previous efforts.

- The Task Force noted that a significant amount of travel card training material currently exists. To ensure the Department of the Navy's travel card managers, also referred to as activity program coordinators (APCs), are aware of these resources, the Department of the Navy has conducted training conferences over the last two years. Recently, in May of this year, a conference was held in Norfolk for more than 350 East Coast managers. Another is scheduled this November for West Coast personnel with over 300 attendees registered to date. In addition, the Department of the Navy is developing computer-based training for distribution to cardholders, travel card managers, Commanding Officers, and supervisors.

- The Task Force recommended requiring the use of the "split disbursement" method of payment. Under this method, the travel settlement organization forwards a portion of the travel entitlement directly to the card contractor on behalf of the traveler/cardholder. Due to its convenience for cardholders and because this payment method meets our goal of paying the card contractor as quickly as possible, the Department of the Navy has long supported, and strongly encouraged, the use of split disbursement. This method of payment has long been available as a payment option to Navy cardholders and the card contractor reports that almost one-quarter of Navy travel card payments are made in this manner. The option became available to Marine Corps cardholders earlier this year. The Department of Defense has proposed legislation to allow the Secretary of Defense the authority to require the use of split disbursement. Such a change could resolve much of the delinquency problem.

I believe that some of the problems experienced with the government travel card can be traced to the implementation of the program. When the Department of Defense implemented the Travel and Transportation Reform Act (Public Law 105-264) in January 2000, many Navy and Marine Corps commands enthusiastically embraced use of the travel card. In some cases, commands authorized travel cards for military members and civilian employees who did not need cards or who may have lacked the financial sophistication necessary to use the charge cards properly.

The Travel and Transportation Reform Act, as implemented by the General Services Administration and Department of Defense regulations, provides the authority to exempt personnel from mandatory use, recognizing the need for flexibility in the management of the travel card program within the unique operational environment of the Department of Defense. Under this authority, I have reviewed the Department of the Navy's program and have recommended changes to the program. Specifically,

- Current Department of Defense regulations permit the exemption of an infrequent traveler, defined as one who travels two or less times per year, from mandatory use of the travel card. In order to give Commanding Officers and supervisors more discretion in determining which of their subordinates should have a travel card, I sought and received authority from the Under Secretary of Defense (Comptroller) to change the definition of an infrequent traveler within the Department of the Navy to one who travels four or less times per year. This change has been authorized for selected major commands that have responsibility for all aspects of the travel process.

- After reviewing Department of Defense regulations, I believe commanders may have additional discretion to decide whether to authorize travel cards for particular individuals, who are not otherwise exempted, such as those who may constitute a credit risk. I am working with the Department of Defense to come to a common understanding on this discretion issue.

- I have asked the Department of Defense to consider an exemption to mandatory use of the travel card for en route official travel associated with certain mission deployments. Department of Defense travelers, predominately military members, sometimes incur official travel expenses en route to deployment to a remote area or operational environment. Such deployments by their very nature make it difficult for the traveler to file interim travel claims and receive reimbursement within the billing cycle of the travel charge card. The traveler may not otherwise be exempted from mandatory card use, and the official travel expenses they incur while en route to the point of debarkation for the deployment will be placed on their government travel card as required by law and regulation.

The Department of the Navy is committed to improving management of the government travel charge card program. The actions I have described are the initial efforts taken to reduce delinquency and misuse of travel cards. They are intended to focus command attention on the problem and provide commanders the tools and flexibility they need to manage the program effectively.

Mr. Chairman, this concludes my statement. I am pleased to answer any questions you or other committee members may have.